ANALYSIS AND RESEARCH ON THE AFFECTING FACTORS OF TRADE BETWEEN CHINA AND THAILAND

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ABSTRACT

Title: ANALYSIS AND RESEARCH ON THE FACTORS OF TRADE BETWEEN CHINA AND THAILAND

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The core research of this study is an analysis of the factors affecting the trade between China and Thailand. Research from previous papers has found a variety of factors that affect trade. Most of the papers are studying economic factors, and some have studied non-economic factors. The paper starts with trade agreements, exchange rates, and tax rates to research the economic factors that affect bilateral trade. This study used only one trade agreement, the China-ASEAN Free Trade Area (CAFTA). This study collected data for a total of 24 years from 1992 to 2015 as a reference. All the data collected in the research methods of this paper are considered as raw data. Place them in Microsoft Excel to prepare the data; data processing consists of two data sets: the first is the imported flow, and the second is the outgoing flow. Then the two Excel files are processed in the STATA software; finally, a linear regression model is chosen to analyze the data. Therefore, this study can complete the investigation of what factors import or export has had an impact on the economy.

Keywords: Trade, Trade agreements, Tax rates, Exchange rates

摘　要

题目：中泰贸易影响因素的分析和研究
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16 / 6 / 2018

本研究的核心研究是影响中国和泰国贸易因素的分析。从之前的论文研究发现各种各样的影响贸易的因素。大部分的论文是在研究经济因素，也有的研究非经济性的因素。本篇论文是从贸易协定，汇率，和税率出发，研究影响双边贸易的经济因素。本研究只用到了一个贸易协定，就是中国－东盟自由贸易区（CAFTA）。本研究搜集了从 1992 年到 2015 年总共 24 年的数据作为参考。本论文研究方法中所收集的全部数据都算是原始数据。先把它们放在 Microsoft Excel 准备数据；数据处理包含两个数据集：第一个是进口的流量，第二个是出口的流量。 然后把这两个 Excel 的文件进行 STATA 软件里；最后，选择线性回归模特方式分析数据。因此，本研究能完成探究式什么因素进口还是出口对经济产生了影响。

关键词： 贸易，贸易协定，税率，汇率

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CHAPTER 2
LITERATURE REVIEW

2.1 Literature Review

Trading began at the very beginning of human history. Started from the original trade style, Barter system, which was a directly exchanging in goods or services between two traders toward to the day that money had introduced as a medium of exchange. Trade has been developed so far as well as relationship among countries. When domestic trade did not respond to the needs of people within country or it was cheaper to buy some products from the foreigners, an international trade was presented. Smith (1904) introduced the concept of the absolute advantage as a basis of international trade. He wrote that "If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry employed in a way in which we have some advantage".

Maneschi (1998) also described the theory of comparative advantage as a theory of work income generated by individuals, companies or countries due to differences in factor endowments or technological advances.

Through economic reform, China has become the world trade center, and many companies in the world have come to invest in China. Millions of dollars flowed in and out. How fast will China's economy grow after economic reform? What drives and attracts people from all over the world to come to this country? Some documents refer to China's trade. According to Yan, Qing and Qing (2015), they claimed that "The direct investment from South Korea to China, the market size both in China and South Korea, all of the per capita GDP gap in China and South Korea, economy scale in industrial of China and technological progress in China have influences on the level of intra-industry trade between China and South Korea, but the degree of the influence on industrial manufactured goods on different types is different". While the study from Supriana (2013) stated that "The larger the GDP, the greater the amount of goods and services can be traded. Moreover, China has a positive distance elasticity compare to ASEAN countries since relatively cost is lower than others. Exchange rate is not significant for Thailand to trade with China".

Some journals mention trade agreements that affect trade. Banik and Gilbert (2008) studied SAFTA integration and transaction costs. In their study, they argued that "Both the imports and exports of a country tend to increase with external sector liberalization. Under small country assumptions, a fall in tariff barriers reduces the price of imports and causes imports to rise. Exports also increase, and this is true whether the economy has a fixed or flexible exchange rate regime". Additionally, they also mentioned, "The low trade can be attributed to the presence of high tariff barriers. A reflection of high tariff barriers is a lower trade-GDP ratio in many of these SAFTA member countries".

At the same time, Hong (2013) said, “with the establishment of CAFTA, the collapse of the global economy and the re-emergence of global trade protectionism have highlighted the importance of regional economic cooperation”. Economic complementarity between China and Thailand is in many ways related to the diversity of these two countries.

Mbekeani (2013) revealed, “The more fundamental determinants of RTA performance seem to be policies and conditions that shape the overall trade environment. This makes reductions in trading costs at the border critical”.

Later, Elshehawy, Shen, and Ahmed (2014) also supported Yutaka that RTA affected on trade. They claimed, “The regional trading agreements (RTA) variable is highly significant. This implies that the importer country that has RTA with Egypt can affect Egypt’s exports. The common border between Egypt and its neighbors encouraged the exports, where the results indicated the significance and positive effect of this variable on the flows of Egyptian exports”.

In 2013, the European Commission's director-general for trade studied the economic impact of signing the EUSFTA, a free trade agreement between Europe and Singapore. The analysis of trade flows from Singapore and other countries shows that, in many cases, trade flows have a strong positive evolution since the free trade agreement came into effect. For Europe, the results show that both the eu and Singapore have economic growth and are expected to achieve within a decade.

Lejárraga, Shepherd and Tongeren (2015) also studied the impact of trade agreements on export value. Their research shows that “there are some developments or potential developments in the evolution of the regional trading architecture that has the greatest impact or potential impact on China's exports”. Vice versa, China's exports to China's trading partners have also increased.

In addition, Gouvea, Kapelianis and Montoya (2014) insisted that “the transparency of RTAs led to an increase in agricultural trading volume”. Clearly, the agricultural sector trade tends to when additional transparency provisions are applied in RTA. Another supportive research from Shaikh (2009) concluded that “As a member of SAFTA, each country benefited by maximize scale of production, attain specialization, increase competitiveness and diversify their export basket result hence assisting domestic economic reform. SAFTA allows the participating countries to achieve larger economies of scale in production, attain specialization, increase competitiveness and diversify their export basket, thus assisting domestic economic reform”.

Besides, Samuel (2015) who was worked on trade and revenue effects, also found out that “high tariff rates show larger revenue effects, while low tariff rates show lower revenue effects. However higher tariff rates show lower trade volumes and lower tariff rates high trade volumes”.

Nevertheless, the paper wrote by Nicita (2013) who proved that “The exchange rate misalignments do affect international trade flows in a substantial manner. Currency undervaluation is found to promote exports and restrict imports, while the converse holds in the case of overvaluation”.

Olayungbo, Yinusa and Akinlo (2011) also support Nicita by studying on Effects of Exchange Rate Volatility on Trade in Some Selected Sub-Saharan African Countries. The result showed that “exchange rate volatility positively related to trade. This simply suggested that volatility of the exchange rate enhances aggregate trade in the sub-Saharan African countries. This possibly suggested that traders are risk takers who see increase in volatility as opportunity for profit”. Moreover, “The results show that a 10 percent increase in tax would reduce trade by 0.8 percent. This means that higher tax tends to increase trade costs, which depresses exports”.

Muganyi and Chen (2016) also point to exchange rates and trade agreements. They concluded: “we were able to ascertain that economic size, market size, regional integration or economic partnership status, language integration and devaluation of China’s currency all have a positive influence on its agricultural trade flows with major trading partners in the study period. The coefficient for the exchange rate variable is significant at 1%. It indicates that if China devalues its currency by one percent this will have a positive influence on agricultural trade flows with its major trading partners. Additionally, CAFTA and BRICS membership status had a positive influence on agricultural trade flows between China and its major trading partners”.

Another paper based on the debating in revaluation of Renminbi and possibility of free float currency in China. Huang, Wang and Whalley (2012) used the model of international trade between inter-temporal and inter spatial in this study. The outcome shows that for inter-temporal trade increase that it is limited by the regulation while tariff rates base on WTO, free trade in goods will not be the best policy. And they also claimed that “A fixed exchange rate policy with a surrender requirement on exporters and rationing (or auctioning) of foreign exchange among importers can be a welfare improving intervention compared to a free-floating exchange rate”.

Wang, Kong and Wang (2012) used the trade gravity model to study the trade between China and ASEAN countries. It used the Central American Free Trade Area of the country's per capita gross domestic product (GDP), the central American free trade area of the foreign exchange reserves, the countries of southeast Asia plaza and the distance between China and southeast Asian countries as the independent variables. Despite China's direct investment in southeast Asian countries, imports from southeast Asian countries and the entry of Chinese tourists into southeast Asian countries are dependent variables. After analyzing the import variables, it proves that the higher per capita GDP of ASEAN countries, the higher the value of China's import from this country. The higher China's foreign exchange reserves, the higher the value of China's imports from this country.

In another view, Exchange in another view, the exchange rate has no effect on transactions, Bahmani-Oskooee, Hegerty, Zhang (2014) pointed out, "the impact of exchange rate changes is limited, even temporary." In the long run, the income effect is the strongest.

As well as, Pattichis (2012) stated that “real exchange rate has a significant effect on trade in services in the short-run for all categories in his study, while travel services part has significant in both short-run and long-run”.

Another piece of support from previous studies by Wang and Zhu (2016) is that “China imports a lot of raw materials and they are not dependent on exchange rate fluctuations. In addition, for developing countries, different countries are affected by different variables, most of which have no statistical significance”.

The three variables discussed in the paper are exchange rate, trade agreement and tariff.

Each country determines the exchange rate regime that will apply to its currency. For example, the currency may be free-floating, pegged (fixed), or a hybrid. If a currency is free-floating, its exchange rate is allowed to vary against that of other currencies and is determined by the market forces of supply and demand. Exchange rates for such currencies are likely to change almost constantly as quoted on financial markets, mainly by banks, around the world.

The trade agreements called preferential by the WTO are also known as regional (RTA), despite not necessarily concluded by countries within a certain region. There are currently 205 agreements in force as of July 2007. Over 300 have been reported to the WTO. The number of FTA has increased significantly over the last decade. Between 1948 and 1994, the General Agreement on Tariffs and Trade (GATT), the predecessor to the WTO, received 124 notifications. Since 1995 over 300 trade agreements have been enacted.

Tariffs are the customs in accordance with the law of in and out of the boundary or close condition of the goods and articles levy a tax. Its characteristic is to perform a unified foreign economic policy, tax on in and out of the boundary or close condition of the goods and the customs shall be responsible for and is closely related with the customs of each work.

2.2 Analyze of The Literature Review

According to the World Trade Organization, there are six factors that affect the future of World Trade: population, investment, technology, energy and other natural resources, transportation costs and institutions. All of these factors have become more influential in today's world, but more common factors, such as exchange rates, trade agreements and tariffs, still act like the day before. Most of the above literature reviews use these common factors to analyze trade rates. There has been a lot of literature on trade agreements, and how it has improved the economies of member states, and some people have found that it has not affected trade, because

it should be due to other external factors. Despite two or three documents saying the exchange rate was an important factor in the transaction, one newspaper said the exchange rate was not important for Thailand and China. Although many studies have examined the factors that influence trade, few scholars have spent much time looking at them. Therefore, the results received may only apply to those time periods. Although some papers are analyzed only a year after the implementation of the trade agreement, they do not guarantee the impact of trade agreements on trade. In the analysis of international trade, there are not many studies using more than one independent variable. In another view, there is only discussion about the work of China and ASEAN countries. No research has focused on the trade between Thailand and China, and they always do it in a broader way, rather than in a deep way. To fill these gaps, the study focused only on trade between Thailand and China, thus addressing the deeper issues of the influencers. In addition, the duration of this study was about 24 years.

To achieve the purpose of research and fill in the blanks, this paper first introduces the relationship between Thailand and China, and their good relationship for a long time. Note that in this literature review section, this article will provide a basis for research by identifying existing works involving selected topics. Later, the factors used in this study will be discussed in detail to provide in-depth information for the reader. The study mainly includes four factors: trade agreement, tariff barrier and exchange rate. In the method section, the data used will be conducted between 1992 and 2015, including the day before the central American free trade agreement was established. Therefore, this result will clearly show how CAFTA affects trade between Thailand and China. Then, the analysis method is described. Finally, discussions and conclusions will be presented, but limitations and future work will be included.

CHAPTER 3
STRUCTURE OF THEORETICAL MODEL

3.1 Factors Affecting Trade with China

3.1.1 Exchange Rate

Because each country USES a different currency, each currency has a different value, so the exchange rate is presented. The exchange rate between two currencies is the exchange rate between one currency and another. This indicates the relationship between a country's currency and other countries' monetary value. Generally speaking, exchange rate can be roughly divided into two categories, namely fixed exchange rate and floating exchange rate. A fixed exchange rate is a system in which a country's currency is fixed on a set of currencies, such as gold. According to the floating exchange rate, this means that the exchange rate is determined by the demand and supply mechanism of the foreign exchange market, while the foreign exchange market fluctuates. However, there is another exchange rate system, which can be divided into three systems: the exchange rate system, the fixed exchange rate system and the floating exchange rate system.

At present, countries in the unemployment rate, inflation rate, domestic interest rates, balance of payments, economic situation, such as economic growth continues to use different exchange rate system, including the development of the domestic money market. According to the International Monetary Fund (2006) annual report on foreign exchange arrangements and exchange restrictions, the exchange rate can be divided into four main categories: hard peg, soft hook, floating exchange rate system (market rate) and rest. According to the analysis by the IMF staff, this classification is based on the information provided by the members' DE facto arrangement, which may differ from the official announcement. The classification of these exchange rate systems is based on the level of flexibility and the current formal and informal commitment to the exchange rate path. Here is the exchange rate regime.

3.1.1.1 Hard Pegs Exchange Rate Regimes

(1) There is no exchange arrangement for separate legal tender. The first hard pegs refer to the use of other countries' currencies as their own currency. The other is a member of a monetary or monetary union. This means that union members will use the same currency and must strictly abide by the rules. Countries that use this regime will lose their power and freedom to determine their monetary policies. In addition, it cannot control the amount of money and the exchange rate used. If there is inflation or currency fluctuations, there is nothing the government can do.

(2) Currency board arrangements. Currency board according to the specific legislative commitments, to local currencies for the specified foreign currency at a fixed rate of monetary system, plus the limitation on the issuer, in order to ensure their legal obligations. This means that the domestic currency will only be issued for foreign exchange, and is fully backed by foreign assets, thereby eliminating the traditional central bank functions, such as monetary

control and the lender of last resort, and there is no room left for discretionary monetary policy. Some flexibility can also be provided, depending on the severity of the currency board system.

3.1.1.2 Soft Pegs Exchange Rate Regimes

(1) Other Conventional Fixed-Peg Arrangements. The first is a country that has pegged its currency to another. This regime is mainly found in the was once a colonial country, it will relate its currency and the country, the country has been settlement, for example by the British colonial country. The other group is the countries that peg their currencies to the basket (linked to many currencies), which will take the percentage of trade as a percentage of the basket, including services and investments. However, it can use SDRS as part of the ratio. Under the system, the exchange rate would be more stable than the first. In any case, the two types of regime are calculated as fixed exchange rates, allowing the value of the domestic currency to be reduced or increased only from one or less than 1% of the central exchange rate. It can also be done by allowing the exchange rate to remain at its highest and lowest rate for at least three months in a narrow range of 2 per cent. In addition, if necessary, the monetary authorities can direct means of currency intervention, such as through the sale/purchase of foreign exchange market, and indirect means, through the active use of interest rate policy, the implementation of foreign exchange regulations, exercise the moral suasion limit foreign exchange activities, or other public institutions through intervention. Usually, monetary authorities do not intervene in exchange rates because it can lead to a decline in credibility. The advantage of this system is that currency transactions between member states will be effortless. Domestic and foreign entrepreneurs have ignored concerns about currency fluctuations.

(2) Horizontal band pegged exchange rate. The system is similar to the previous system. The difference is that the difference between a fixed central interest rate or the highest and lowest exchange rate can be more than 1 per cent, or more than 2 per cent. The example of this system is the arrangement of the European monetary system (EMS) exchange rate mechanism replaced by ERM II on 1 January 1999. With this system, bandwidth is the discretionary power of monetary policy.

(3) Stabilized Arrangement. Stable exchange rates will not fluctuate more than 2 percent over a six-month period. When using statistical techniques to confirm the single currency of anchor COINS, the desired stability margin can be satisfied. To classify it as a stable arrangement, it would need to meet the statistical criteria, and the exchange rate would remain stable as a result of official actions, including the rigidity of the structural market. This classification does not imply a policy commitment by the national authorities.

(4) Using the system to link the country's crawling, the currency value will be gradually adjusted at a fixed exchange rate. In addition, monetary authorities can adjust the value of the currency to coincide with changes in selective quantitative indicators such as inflation. Crawling speed can be set to generate the inflation-adjusted exchange rate change, set in the forecast of

fixed interest rate and/or lower than expected inflation differences (prospective) in China, for example, have used the system group and Hong Kong for adjusting the two currencies exchange rate. By using a crawling peg, the power of government intervention is the same as speaking in a fixed peg system.

(5) Crawl-Like Arrangement. Classified as a reptilian arrangement, the exchange rate must remain within 2 per cent of the statistical trend of at least six months, and exchange rate arrangements cannot be considered floating. In general, the minimum rate of change must be greater than the stable (peg) arrangement. But if the exchange rate appreciates or devalues in a sufficiently monotonous and continuous manner, the arrangement is considered to be similar to climbing, with an annualized growth rate of at least 1%.

3.1.1.3 Floating Exchange Rate Regimes

(1) Floating. The system would allow exchange rates to adjust to market demand and money supply. However, if there is any intervention, its main purpose is to control the high volatility. Thailand used the system after the Tom Yum crisis in order to balance the payments problem and let the market decide the currency.

(2) Free Floating. The system is similar to the previous system. The difference is that the monetary authorities have intervened at most three times, not more than three working days at a time, in the past six months to adjust to disorderly market conditions. Failure to provide evidence of such evidence would result in a floating exchange rate.

3.1.1.4 Residual Exchange Rate Regimes

Other management arrangements. If the exchange rate system cannot fall into the above categories, it belongs to the remaining categories. Systems that change exchange systems tend to fall into this category.

3.1.1.5 Exchange Rate Regime in Thailand

The banking act of Thailand was promulgated in 1942 during the second world war. Under the bill, the bank of Thailand is responsible for the operations of the central bank and other roles, which will be listed by the royal decree governing Thai banking. Although the bill has not been clearly clarified on monetary policy, the Supreme Court has the right to set interest rates on Banks, which are the interest rates of lenders' last resort. In addition, the robot has the power to buy and sell tools and foreign exchange, make loans to financial institutions to counter qualified collateral. Thailand's monetary policy has been divided into three periods.

(1) Pegged Exchange Rate. The peg was announced between world war ii and June 1997. First, the currency is linked to gold and then to the basket. A basket of currencies was announced

from November 1984 to June 1997. Under the currency basket, the exchange equalization fund (EEF) is responsible for declaring and protecting the value of the Thai currency against the dollar. At the time, fixed exchange rates promoted sustainable economic growth.

(2) Monetary Targeting. The system's monetary target was between July 1997 and May 2000. Thailand was supported by the international monetary fund (IMF) and adopted a monetary target system after it was changed from a pegged exchange rate to a floating exchange rate on July 2, 1997. Under this system, the decision of domestic money supply is to adopt the financial planning method to ensure the consistency of macro-economy and achieve the ultimate goal of sustainable growth and price stability. Through the assessment of the economic situation, the bank can determine the daily and quarterly monetary base targets according to its daily liquidity management. Day-to-day liquidity management is designed to prevent the rise and fall of liquidity in interest rates and financial systems.

(3) Inflation Targeting. This target has been used since May 23, 2000. In the international monetary fund projects, the bank to review the domestic and external variables, the results showed that after the financial crisis, and the relationship between money supply and output growth is not so stable. So the goal now is money, not inflation. When Thailand pulled out of the international monetary fund, the bank needed to announce a new policy anchor, which would apply to Thailand. In late May 2000, the central bank adopted inflation targeting as a new policy anchor because it would help restore confidence and credibility in central Banks and currencies.

Under the framework of inflation targeting, the monetary policy committee (MPB) was first appointed on 5 April 2000 and has the power to decide monetary policy by the governor. The MPB, which has nine members, includes prominent external experts and senior bank executives. MPB has the power to set the direction of monetary policy, with price stability as the primary objective, and to improve the inflation target framework to adapt to the Thai economy. Currently, however, the seven-member monetary policy committee (composed of the bank of Thailand and four outside members) is responsible for determining the direction of monetary policy. The new banking law of Thailand, B.E. 2551(2008) was issued on 3 March 2008. The new BOT act clearly defines the central bank's objectives and responsibilities as the central bank to maintain monetary stability, the stability of the financial system and the stability of the payment system.

3.1.1.6 Exchange Rate Regime in China

In 1988, China set up a semi-official currency swap center, allowing companies to trade renminbi to better reflect market demand. In January 1994, China turned its economic development into a socialist market economy and put forward the central exchange rate of official and currency swaps, because the dual exchange rate was unified. The renminbi lost 33 percent overnight to $8.7. Later, in April, the China foreign exchange trade system (i.e., Shanghai first interbank money market), the yuan against the dollar of about 8.28 yuan, the central bank may intervene to keep the renminbi stable. According to the current account, China's renminbi could be fully exchanged in December 1996. Between 1994 and 1996, the renminbi fell from 8.7 to 8.28 against the dollar.

In 2001, China became a member of the world trade organization (WTO) and pledged to gradually implement the monetary system. Two years later, China's trade surplus with the rest of the world was large. As a result, other countries are pressing Beijing to let its currency appreciate in order to balance global trade. In December 2004, China decided to gradually adopt a flexible exchange rate system. Six months later, the yuan was revalued at 2.1% and revised the rules governing the yuan, adjusting the exchange rate to a managed floating exchange rate against a basket based on market supply and demand. The main currencies in the basket are the dollar, euro, yen and won. The rest are Singapore dollar, pound, Malaysian ringgit, Russian ruble, Australian dollar, Thai baht and Canadian dollar, but the weight of these currencies is hidden. In May 2007, China adjusted its daily trading range for the renminbi against the dollar from 0.3 to 0.5 per cent. When the global financial crisis was at its worst, the central bank set the exchange rate at 6.38 against the dollar in response. A year on, China has released a pilot program that allows selected Chinese regions to pay for renminbi transactions. As a result, the renminbi is closer to an international currency. In June 2010, China resumed its original plan to reform the yuan's exchange rate and let the yuan float freely. At that time, the yuan was no longer pegged to the dollar. As a result, the Yuan hit the high record at 6.2884 per dollar in February 2012. The same year, in March, the intention to internationalize the Yuan was raised by allowing all companies in China to pay for imports and exports in Yuan.

In addition, the Cross-Border Inter-Bank Payment System, or China international Payments System (2015), was launched. More than 50 countries and regions in the world have become CIPS partners, which can separate direct partners from China's commercial Banks and 176 indirect partners. CIPS stresses that this is an important step in building a modern payment system that supports both domestic and international payments. In addition, CIPS has standardized the principles of financial market infrastructure and other international regulatory requirements, and it will become an important part of promoting the internationalization of RMB. On October 1, 2016, the RMB was added to the SDR basket, including the us dollar, euro, renminbi, yen and pound, respectively 41.73, 30.93, 10.92, 8.33 and 8.09 respectively. This is one of the major initiatives of China's economic and global economic integration.

3.1.2 Trade Agreement

Trade agreements are a wide range of taxes, tariffs and trade treaties, usually including investment guarantees. A trade agreement is an agreement signed by two or more countries to reduce or eliminate tariffs, quotas and other trade restrictions, rather than a higher tariff. When trade agreements apply, member states will trade at a lower cost, not member states. With this contract, the trade agreement may increase the import and export tax rates of the signatories. If the ratio of imports and exports increases, there will be a variety of goods entering these countries, which will lead to fierce competition among suppliers. Therefore, people in these countries will have an advantage in buying these goods.

The China-ASEAN free trade area or China-ASEAN free trade area is a free trade area between the Association of Southeast Asian Nations (ASEAN) and the People's Republic of China. Initially, the agreement was signed by premier Zhu Rongji, who was then the premier of the People's Republic of China. He said the possibility of the China-ASEAN free trade agreement submitted by China and ASEAN on November 6, 2001. As a result, they have proposed the ASEAN-China Trade Negotiation Commission (TNC) to negotiate between China and ASEAN countries. On November 4, 2002, the ASEAN-China comprehensive economic cooperation framework agreement was signed in Phnom Penh, Cambodia.

On June 18, 2003, Thailand and China signed an accelerated tariff reduction agreement. The products included in this project are fruits and vegetables (HS 07-08). Effective date: 1 October 2003. This is the so-called the FTA (the kingdom of Thailand's government and the government of the People's Republic of China（PRC) in the framework agreement on comprehensive economic co-operation between ASEAN and China, speed up the elimination of tariff under the early harvest program agreement).

The framework is used as a guideline for free trade zones and cooperation among members. Moreover, the early harvest plan was put forward under this framework. The early harvest plan is an integral part of the agreement to eliminate or eliminate tariffs on certain product groups. Products covered by this project including 8/9 digits (coordinate system code: HS codes), including: live animals, meat and meat, fish, other animal products, dairy products, living trees, edible vegetables, edible fruit and nuts (HS 01-08). The early harvest scheme will take effect from 1 January 2004. Therefore, on January 1, 2004, the two sides began to lower the tariff rate, and by 1 January 2006, the tariff was reduced to zero. The ASEAN-China free trade agreement is divided into three parts: product, service and investment. Contracts are signed at different dates and are affected at different times. The product was signed on 29 November 2004 and has been affected since 20 July 2005. Services and investments were signed on 14 January 2007 and 15 August 2009; It was affected on 1 July 2007 and 15 February 2010. This study only focuses on the product part.

From the above, the product in this case means that other products are already included in the early harvest project. Therefore, the contract will cover agricultural and industrial products (HS 01-99) (normal track). However, member states can maintain tariff rates on sensitive and highly sensitive products. After the contract comes into effect, the tariff will be gradually reduced or cancelled. Finally, on January 1, 2010, ACFTA became the largest free trade zone, based on the population and the third place based on nominal gross domestic product.

To further explain, sensitive products are products that need time to eliminate tariffs. This is because the product itself is vulnerable to competition from suppliers in other countries. Thai rice, for example, is considered a sensitive product because it has long produced a lot of rice. The maximum number of sensitive products is 400(6 bits). Thailand has 251 products as sensitive products, while China has 178 products. In addition, the import value of sensitive products may

not exceed 10% of the total value of imports. By January 1, 2012, tariff rates on sensitive products will reach or below 20%. By January 1, 2018, that proportion will reach or below 5%. For the new ASEAN members, time will be extended. Highly sensitive products are the same as sensitive products, but the number of products is limited to 100 or less than 40% of sensitive products. In addition, the tariff rate may be lower or equal to 50% by January 1, 2015.

The following are the objectives of the agreement:

(1) Strengthening and strengthening bilateral economic, trade and investment cooperation.

(2) Gradually open and promote trade in goods and services and establish a transparent, free and convenient investment mechanism.

(3) Explore new areas and develop appropriate measures for closer economic cooperation between the two sides.

(4) To promote more effective economic integration among the new ASEAN members and to bridge the development gap between the parties.

To establish a free trade agreement in 2010, member states agreed to negotiate quickly. They also use the following to strengthen and strengthen economic cooperation:

(1) Gradually eliminate tariffs and non-tariff barriers in virtually all merchandise trade;

(2) Gradually open trade in services and provide substantive sector coverage;

(3) To establish an open and competitive investment system to promote and promote investment in China-ASEAN free trade area;

(4) Providing special and differential treatment and flexibility to the new ASEAN members;

(5) Establish effective trade and investment facilitation measures, including but not limited to the simplification of customs procedures and development of mutual recognition arrangements;

(6) To expand economic cooperation within the agreed framework to supplement trade and investment linkages between the parties and to develop action plans and projects to implement the agreed sectors/areas of cooperation;

(7) Establish appropriate mechanisms for effective implementation of this agreement.

3.1.3 Tariff Barrier

Tariffs are defined by the world trade organization and are tariffs on goods. Tariffs provide a price advantage for locally produced goods, rather than imports of the same kind, and increase revenue for the government. There are three types of tariffs: MFN (most-favored-nation treatment), limited tariff (BND) and preferential tariff.

3.1.3.1 Most Favored Nation Tariff

The tariff is the standard for tariffs between WTO members unless they sign a trade agreement. In short, this rate must be the highest rate a member can charge to another member. This means that countries that do not join the WTO may charge higher rates, sometimes even lower than the MFN rate.

3.1.3.2 Preferential Tariff

Virtually every country has at least a preferential trade agreement to ensure that the tariff rate will be lower than the MFN. In general, preferential tariff rates for free trade zones, such as CAFTA, SAFTA, or customs union, such as the European Community, and the southern African customs union, are zero tariffs for each product. As a result, countries with this preferential agreement will pay lower tariff rates. In addition, the agreement is sometimes written, and it will deduct a percentage of the Most Favored Nation (MFN) tax rate, but it does not need to be zero.

3.1.3.3 Bound Tariff

The tariff restrictions are specific commitments made by individual WTO member governments. The binding tariff is the maximum tariff level for a given line of merchandise. When countries join WTO or WTO members negotiate tariff levels in trade rounds, they will agree on binding rates rather than actual application rates. Restrictive tariffs are not necessarily the exchange rate that WTO members apply to other WTO members in practice. Members have the flexibility to increase or reduce their tariffs (on a non-discriminatory basis) as long as they do not raise them to their limits. If a WTO member raises the applicable tariff ceiling, other WTO members can let the country settle the dispute. If the country does not lower its application tariffs below its limits, other countries can ask for compensation in the form of higher tariffs. In other words, the applicable tariff is lower than or equal to the actual tariff imposed on any particular product.

If the three tariff rates are compared, the tariff rate will be the top rate, while the preferential rate will be the lowest, and the MFN rate will be between these two rates.

If the product fails to comply with the country's rules of origin, the importer will adopt the MFN tariff. Therefore, both preferential and MFN rates are likely to apply effective tariff rates.

3.2 Hypothesis

The theoretical framework of this study is shown below.

Figure 1-1 Theoretical Framework

Previous studies have found that exchange rate misalignment does affect international trade flows. Exchange rate undervaluation is found to promote exports and restrict imports, while in the case of overvaluation, the opposite is true. Exchange rate volatility is positively correlated with trade. This merely indicates that the fluctuation of exchange rate increases the total trade of Sub-Saharan African countries.

H1 Exchange rate has a positive effect on trade between Thailand and China.

Many studies have referred to the factors of trade agreements. Tariff barriers fall. Lower import prices, leading to an increase in imports. Exports have also increased, which is true, whether the economy is fixed or flexible. Low trade can be attributed to high tariff barriers. One reflection of high tariff barriers is that the ratio of trade gross domestic product (GDP) to many such SAFTA countries is low.

H2 Trade agreements have had a positive impact on trade between Thailand and China.

High tariffs create a bigger income effect, while lower tariffs bring lower income effects. However, higher tariff rates show lower trade and lower tariff rates.

H3 Tariff barriers had a positive impact on trade between Thailand and China.

3.3 Research Model

(1) Identify the problem. The trade between Thailand and China has been going on for a long time, and every year there has been a marked increase. This is one of the signs of success in trade and economic development between the two countries. One of the most important questions is what drives this success. The study will lead to the promotion of bilateral trade. Both

economic and non-economic variables are likely to be considered trade drivers. However, the study covered only three economic variables: exchange rates, trade agreements and tariff barriers. These three variables are the basic economic factors that assume the impact on economic activity.

(2) Review of previous studies. The literature review includes more than 30 research and research on factors affecting the performance of trading. These are the economic variables discussed in the study. Currency and trade agreements are commonly used in the study. At the same time, trade barriers are rarely discussed. Three economic factors are basic variables in the economic field, but some studies show that they have little impact on trade.

(3) Data collection. The first step in analyzing these factors and their significance is to collect data. This process involves collecting historical data, the main data, from the sources of the Internet and books. There are several data needs to complete this study interest rates from Thailand to China import and export, Thailand to tariffs on Chinese products, tariff, China's products for Thailand, trade agreement between Thailand and China, CAFTA, and in the end, the average exchange rate between Thailand and China.

(4) The data processing. There are several models and software that can be used to perform data processing. STATA is used in this study in a dozen software applications. There are many models that can be used for analysis, but multiple linear regression models are used in this study to find out the significance of each factor. After that, collect the data and enter the data processing through the following steps:

I. Data in the data source is organized into tables and can be stored in CSV format or Excel extensions.

II. The excel file is imported into the STATA program.

III. The program runs and checks the complete case only through the complete case analysis method, which means that only rows that contain all the data are used for analysis.

IV. The data is processed and adapted to the linear regression model to make use of the important value test hypothesis.

(5) Results and analysis. The statistical results include but are not limited to the coefficients of the linear equations, p values, and the minimum mean square, and translate the results into an interpretable data table. The p value is used to counter the significance of each variable. If the p value is less than 0.05, it indicates that the variable is significant and is used to approve or reject these assumptions based on the statistical output of STATA software. The influence and influence of various factors on the trade between Thailand and China were analyzed.

(6) Conclusion. Finally, after analyzing and interpreting the results, the conclusion is reached at this stage. This paper summarizes how each variable in the work affects the trade between Thailand and China through a linear regression model. The three variables are then reduced to a clear, short and sharp term. The limitations of this study were clarified in order to overcome them in future work. Further research proposals will be listed to improve the study.

3.4 Conditions of study

Some conditions are needed to complete the study. Here is the list of requirements.

I. STATA Program
II. STATA material
III. Data and information from the Internet
IV. Collect data from government sources
V. Books and articles
VI. Microsoft Excel

CHPTER 4
METHODOLOGY

4.1 Data Collection

For data collection methods, historical data is required to complete the paper, and the data will be in the range of 24 years between 1992 and 2015. Four sets of data will be used for trade, exchange rates, trade agreements and tariff barriers in Thailand and China.

A data collection system (DCS) is a computer application that facilitates the process of data collection, allowing specific, structured information to be gathered in a systematic fashion, subsequently enabling data analysis to be performed on the information. Typically, a DCS displays a form that accepts data input from a user and then validates that input prior to committing the data to persistent storage such as a database.

Many computer systems implement data entry forms, but data collection systems tend to be more complex, with possibly many related forms containing detailed user input fields, data validations, and navigation links among the forms.

4.1.1 Import and Export Data

The import and export of data is the automated or semi-automated input and output of data sets between different software applications. It involves "translating" from the format used in one application into that used by another

Import and export data, the trade between Thailand and China from the comprehensive trade solution [43] is divided into 20 kinds of capital goods, intermediate goods, consumer goods, machinery and electronics, textile and clothing, metal, chemical industry, raw materials, miscellaneous, plastic or rubber, fuel, vegetables, food, hide and skin, stone and glass, minerals, wood, footwear, animals, and transport.

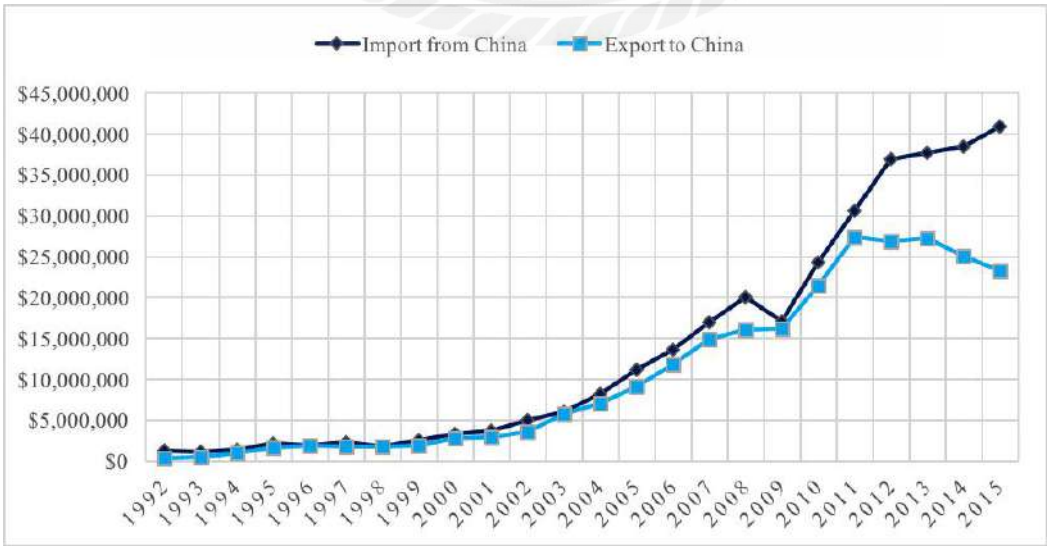
4.1.1.1 Thailand and China Trade

The table shows the import and export data between Thailand and China from 1992 to 2015.
Table 1-1 Value of Thailand imports from China and exports to China (Value in thousands of US$) between 1992-2015

1992-2015		
Year	Import from China	Export to China
1992	1219869.06	385927.58
1993	1090449.15	538637.63
1994	1387632.64	927901.5

1995	2094621.18	1640100.48
1996	1953412.74	1869145.34
1997	2255084.29	1790157.18
1998	1811858.38	1766240.69
1999	2494975.66	1861171.05
2000	3369097.63	2816304.97
2001	3715825.49	2862718.11
2002	4932099.56	3554360.38
2003	6065207.12	5701476.62
2004	8187808.54	7097953.56
2005	11157870.68	9134204.23
2006	13617176.19	11774180.47
2007	16979861.8	14872545.73
2008	20045768.98	15997870.4
2009	17028921.05	16123831.4
2010	24239367.07	21473195.34
2011	30581153.42	27402402.32
2012	36956544.13	26899634.09
2013	37726632.74	27238223.9
2014	38498344.67	25084369.43
2015	40919104.56	23311428.6

Figure 2-1 Graph of Thailand's value of product import from China and export to China (value in thousands of US$) between 1992 and 2015.



4.1.2 Exchange Rate

The exchange rate data is collected from Fxtop. The following table shows the annual exchange rate data of Thailand and China from 1992 to 2015.

Table 2-1 Chinese Yuan to Thai Baht exchange rate between 1992 and 2015

Year	Average CNY/THB
1992	4.59622
1993	4.38361
1994	2.91234
1995	2.97795
1996	3.04118
1997	3.76409
1998	4.99051
1999	4.58161
2000	4.87206
2001	5.39424
2002	5.19432
2003	5.02157
2004	4.86395
2005	5.39424
2006	5.19432
2007	4.75668
2008	4.24554
2009	4.75914
2010	5.02369
2011	4.68261
2012	4.71955
2013	4.99991
2014	5.27254
2015	5.45252

4.1.3 Trade Agreement

For trade agreement variables, 0 and 1 will respectively represent the time before and after the trade agreement. Since the launch of the China-ASEAN free trade area in 2010, the 2010 trade agreement will be zero.

4.1.4 Tariff and Trade Barrier

For tariff rate, this study will adopt effective weighted average tax rate. The data source comes from the world integrated trade solution [43]. The table below shows the weighted average tariff imposed by one country on another. Table 3-4 shows tariffs for Thai and Chinese products.

Table 3-1 Average tariff of Thai and Chinese product during 1992 and 2015

Year	Thailand imposes on Chinese products	Chinese imposes on Thailand products
1992		29.89
1993	47.89	28.86
1994		25.9
1995	15.41	
1996		32.81
1997		23.1
1998		21.61
1999	40.81	16.92
2000	11.68	22.55
2001	11.51	22.27
2002		8.9
2003	10.33	6.95
2004	6.67	7.36
2005	5.95	4.89
2006	6.2	4.61
2007	5.25	4.7
2008	5.61	3.59
2009	6.05	2.47
2010	5.97	2.55
2011	6.26	2.76
2012		
2013	7.3	
2014	1.36	0.37
2015	1.43	1.96

4.2 Model

In the study, a commonly used linear regression statistical analysis method was used. Because it is used to determine the degree of linear relationship between the dependent variable and one or more independent variables. The dependent variable can be measured by a continuous

measurement scale (for example, 0-100), and the independent variable can be classified (for example, male to female) or continuous measurement scale.

In the study, multiple linear regression will be proposed, because there are four factors to consider and trade agreement; Tariff barriers; And the exchange rate. Here is the equation model:

$$Y = a+bX_1+cX_2+dX_3+\dots \quad (3\text{-}1)$$

Y represents the dependent variable, in this case the import value and the export value.

a, b, c, d... Represents a constant value.

$X_1, _2, _3$... Represents each independent variable, namely exchange rate, trade agreement, tariff barrier.

4.3 Data Processing

In the data processing process, there are two dependent variables, including the import value and the export value. The average exchange rate will be used for this study. For trade agreements, the year of entry into force of a trade agreement will be represented by the number 0 and the other will be 1. In addition to the national variables, China will also indicate 0, and the United States will indicate 1 that these data will be converted in the process. Therefore, due to the loss of some customs data, only complete cases can be used for analysis.

The data will be divided into two phases. The first stage will examine the relationship between economic factors and trade between Thailand and China, so there will be no national variables. On the other hand, the relationship between non-economic factors and trade between Thailand and China is tested by adding U.S. data to the table.

4.4 Brief Summary

The chapter consists of three parts: data collection, model research and data processing. The first part is mainly about import and export, exchange rate and tariff statistics between Thailand and China. Trade agreements are only shown when they are affected. The model section describes the mathematical model used in this study, namely linear regression model.

CHAPTER 5
RESULTS

5.1 Result

Using Thailand's import value as a dependent variable, exchange rates, trade agreements and tariffs are all independent variables. The results show that the p value of the tariff and trade agreement is zero, which means both of them are of great significance in this study. While the value of r-square is low, the strong significance of trade agreements and tariffs does underscore their impact on imports. On the other hand, the exchange rate variable is not significant because the p value is 0.704, which shows the weakness of the variable in the import.

Figure 3-1 Statistic data after using import as dependent variable

Source	SS	DF	MS
Model	6.269E+14	3	2.0897E+14
Residual	3.4048E+15	336	1.0133E+13
TOTAL	4.0317E+15	339	1.1893E+13

Number of obs=420
F（3，336）=30.36
Prob> F=0.0000
R-squared=0.1796
Adj R-squared=0.1737
Root MSE=1.7E+06

Import Value	Coe f.	Std. Err.	t	P>| t |	[95% Conf. Interval]	
Exchange Rate	129882.1	341910.7	0.38	0.704	-542673.2	802437.4
import_ tariff	-46984.95	11973.55	-3.92	0	-70537.52	-23432.38
I _ Trade Agreement	2006944	411238.2	4.88	0	1198019	2815870
_cons	1141225	1661092	0.69	0.493	-2126225	4408676

Figure 3-2 Statistic data after using export as dependent variable

Source	SS	DF	MS
Model	6.269E+14	3	2.0897E+14
Residual	3.4048E+15	336	1.0133E+13
TOTAL	4.0317E+15	339	1.1893E+13

Number of obs=340
F（3，336）=20.62
Prob> F=0.0000
R-squared=0.1555
Adj R-squared=0.1480
Root MSE=3.2E+06

Export Value	Coe f.	Std. Err.	t	P>| t |	[95% Conf. Interval]	
Exchange Rate	111656.4	133892	0.83	0.405	-151532.8	374845.6
export_ tariff	-17593.12	5453.004	-3.23	0.001	-28312	-6874.247
I _ Trade Agreement	1512516	229934.9	6.58	0	1060537	1964496
_cons	391298	645663.4	0.61	0.545	-877871.6	1660468

5.2 Hypothesis Testing and Discussion

H1 predicted that exchange rate would have a positive impact on the trade between Thailand and China. Unexpectedly, this study found out that there was no positive impact presented between the exchange rate and the value of export and import. Therefore, this hypothesis was rejected. With this result, one possible explanation for the lack of statistical significance was that the range of years in this study was too long and the exchange rate would have not been impacted the import and export. Therefore, it was reasonable to claim that the exchange rate had little to no impact on the trade both import and export. Another reason the exchange rate did not contribute to the alteration of trade level was that Chinese government had control over Chinese Yuan. As a result, the exchange rate rarely fluctuated; thus, it would not observably impact the trade volume.

Although there is no significant relationship between exchange rate and trade level in this particular study, it is in fact an important market mechanism to control the state's economic status. In theory, exchange rate movements should have an impact on every economy. However, governments or financial institutions always intervene. Without government intervention from time to time, markets would be out of control and exchange rates would fluctuate wildly. Subsequently, the fact that the exchange rate has not changed significantly indicates that it will not show any significant trade changes.

Nevertheless, exchange rates should not be part of any strategy to increase or curb trade size. The exchange rate plays a different role in the larger economic picture. It affects not only two countries but also the whole world. It should be controlled just to prevent market crashes and create market equilibrium.

H2 predicts that the trade agreement has positive impact on the trade between Thailand and China. Expectedly, trade agreement showed its significance in the regression model. The p-value equaled to 0.00 implying a strong relation to the trade volume between Thailand and China since it represented both import and export values. Hence, this hypothesis was approved. The statistics result also revealed that after the CAFTA was applied, the rate of import and export changed from steadily rising up to sharply increase. There is no doubt that trade agreements are designed to expand the trade circle and expand the market. The product is not taxed, so it is worthwhile for the newcomers to send their products to new markets. At the same time, they also benefit from tax exemptions and lower margins, meaning they earn more from the same income.

Trade agreements are a common term, including lowering tariffs, dropping transaction costs, and even eliminating trade taxes. Establishing trade agreements is an effective strategy to support inter-state trade and promote market development. However, if external parties have more spending, it could lead to a loss of internal resources.

H3 predicts that Tariffs Barrier has positive impact on the trade between Thailand and China. As predicted, tariff barrier is significant in this study. The p-value equals to 0.00 in both import and export indicated that tariff barrier has a strong impact to this bilateral trade. This meant this third hypothesis was approved. The purpose of tariffs was to prevent the domestic supplier from outside supplier that might have been able to sell at a lower price. Also, it is to prevente too much money flowing from inside to other country. Compared with the change trend of import and export figures before and after the tariff, it is obvious that the graph is completely different. Although CAFTA has not yet been introduced, the chart trend is on the rise until 2010, but after the CAFTA was introduced, the chart shows a steep upward trend after 2010. Through all these statistics, the study confirmed that tariffs could serve as an indicator of trade between the two countries.

5.3 Summary

This chapter presents the results of the data processing section and explains the importance of each factor to the transaction. After that, the test results were used to test hypotheses that were approved or rejected. In addition, each factor is discussed in detail about why and how it affects or does not affect the trade in this study.

CHAPTER 6
CONCLUSION AND DISCUSSION

The purpose of this study is to understand the factors contributing to the long-term trade history of the two countries. By recognizing that each variable has or has no impact on trade, it opens up opportunities for improved performance and relations between the two countries. There are some points worth mentioning in this conclusion:

1) CAFTA affects the whole trade. The trade volume of CAFTA is growing rapidly compared with that of CAFTA.

2) In contrast, tariffs act as a trade barrier, a huge barrier to trade between countries. Since then, interest rates have risen sharply.

3) The exchange rate between Thailand and China has not changed much, nor has it affected trade volumes. Contrary to common sense, trade has a different effect if demand arises.

The study also had some limitations due to the data availability, and data quality.

With regard to data availability, the collection of transaction data may come from three aspects. Major sources, public records and third records in each country. While the records of each country's institutions may not always be publicly available on the Internet, obtaining data from third parties must focus on the accuracy of the data and how the data was collected from the beginning. Aging data may not be presented in the form of electronic files, the combining data from different sources may result in inconsistent data. There are concerns that the data from CAFTA is still in the future. The long-term impact of specific variables such as trade agreements and tariff barriers may not be completed at this time.

As mentioned above, data should not come from multiple sources to avoid inconsistencies; However, obtaining all data from one source does not guarantee the integrity and accuracy of the data. In the entire study, about 10% of the dataset was incomplete. Ideally, the data used for statistical model analysis should be completely clean. Indeed, when data is lost, interpolation statistical measures are used, such as the average to fill the missing part. When analyzing the results of the software, it is considered that the results may not always be 100% accurate.

The import and export trade of China-Thailand is affected by many factors, and how to deal with these factors is the key issue in the process of import and export trade. Bilateral trade between China and Thailand has brought economic growth to both countries, so it is very important to control the good development of import and export trade. For external factors, such as the other country's tariff policy changes, etc., countries should actively respond to and take corresponding measures to minimize the adverse impact on import and export trade of the influence of the domestic economy. For the impact of exchange rate, the country should consider

the change of exchange rate, and make a balance between import and export. For itself, both China and Thailand, should be to improve and perfect its own products, make its own products full of its own characteristics, with strong competitiveness for market, make its are in a strong position in the global market.

China's transformation into a major economic power in the 21st century has led to an increase of foreign investments in the bamboo network, a network of overseas Chinese businesses operating in the markets of Southeast Asia that share common family and cultural ties.

China's export to Thailand were computer components, electrical motors, consumer electronics, machinery, metal products, chemicals and clothing. Thailand's export to China were computer components, rubber, refined oil, plastic pellets, chemical electronics, crude oil, wood products and food.in China is Thailand's second largest export market. China is also Thailand's largest importer of goods into the country in 2010.

For future research, to compare the effectiveness of each trade agreement, it would be advantageous to fill in the gaps in this research subject and to sign more trade agreements. More details from the year to quarter or month can be compared to how they differ between the long and short term. More specific measures, such as the historical context of the two countries, should be adopted to deal with uncertain variables such as culture. It is best to avoid this variable by using a statistical model and trying to analyze it. The possible research idea is to promote the different factors of trade between the west and the east. Trade is the factor that improves the cultural transformation of the country, and how it can help in the future.

As for future research, the lack of completion of this study and more trade agreements will be an advantage to compare the effectiveness of each trade agreement. In order to study more details, from the year to the quarter or month, and compare them, they will show that the different long-term and short-term differences are different. The possible research ideas that can be expanded are, but not limited to, the different factors that drive east-west trade, how trade can help improve countries, and the impact of non-economic factors on trade.

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